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SUBJECT: SHIMON PERES ON THE PALESTINIAN ELECTIONS  
PREDICAMENT

1. Former Vice Premier Shimon Peres discussed Hamas with Senator Joseph R. Biden, SFRC Democratic Staff Director Antony Blinken and SFRC Professional Staff Member Puneet Talwar on January 25. Commenting before the vote tallies were in, Peres put a positive spin on the Palestinian elections, which he described as "the first real elections in Arab society. No single leader or one-party state overshadowed these elections."

2. Peres responded to Senator Biden's query about the role of Hamas post-elections with a question: "what are Hamas to do with a victory? If they win, they face a dilemma. If they enter the government, they must change or (risk) endangering other Palestinians. They won't get the financial support they need to deliver results if they don't stop terror. That will put pressure on them to moderate." Peres predicted a possible paradox: the more Hamas wins, the stronger the position of Fatah in Palestinian politics. Peres stressed that post-election dilemmas would be primarily on the Palestinian side.

3. Peres intimated that Israeli policymakers faced a simpler situation: If Hamas remains a terrorist organization; the GOI will not work with them. Even so, he rued what he viewed as excessive criticism of Palestinian President Abbas, suggesting that Israeli pundits would do better to criticize Israeli politicians rather than the absence of strong Palestinian leadership: "They don't have a Ben Gurion or a Lincoln, but the Palestinians are still a people."

4. Turning to Israeli politics, Peres reaffirmed his appreciation of Ehud Olmert's "impressive entry" as Sharon's successor. Commenting on Sharon's legacy, Peres said that Sharon had brought an end to the Right in Israeli politics by creating a centrist party with a strong base. Senator Biden expressed his appreciation for this achievement of Sharon and Peres.

Peres' Vision: Focus on Economics

5. Peres described his vision of regional economic integration "from the Red Sea to the Syrian border," undaunted by the obstacles preventing Israeli-Palestinian cooperation. Regional cooperation between Israel, Jordan and the Palestinians is essential to economic survival. In his view, Israel had made a mistake in stepping forward to provide security by itself for regional joint ventures; this made Israeli ventures targets. Peres also suggested that exporting Gazan produce via Israel is "a blessing that has become a curse: We must x-ray every tomato. Why should we torture them?" Peres said he would prefer that Gaza export its produce via the Egyptian Sinai at El-Arish. Peres encouraged Gaza-Egypt and West Bank-Jordan cooperation as better alternatives to Israeli-Palestinian initiatives.

6. Senator Biden asked whether such alternatives were viable and, in particular, whether the market was large enough to attract investment. Peres responded that Israeli, Saudi and Palestinian billionaires are interested in investing in such ventures. He stressed that the Saudis are becoming more pragmatic as they realize how important Jordan is as a buffer state with an Iraq dominated by the Shi'a. The DCM asked why the GOI had not done more after disengagement to unfetter the Gazan economy. Peres blamed the lack of movement on Palestinian rocket fire, but offered no suggestions for overcoming such spoiler moves by extremists. Senator Biden then asked what could be done to prevent the disintegration of the Gazan economy. Peres commended former PA Finance Minister Fayyad as the best attribute of the PA, but offered another possible panacea: Jordanian administrators could be called in to run the West Bank economy while Egyptians could run Gaza. Palestinians need to understand that they can make money from business as well as from corruption -- "you make wine from grapes as well as from water."

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JONES